Cuadrilla Gainsborough Limited

Annual report and financial statements

Registered number 10315755

For the 17 month period ended 31 December 2017

Contents

Strategic report

In 2017, the Company was formally awarded PEDL 275, a new exploration licences in the Gainsborough area as part of the UK Government's 14th Round for onshore oil and gas licences. The licence is 100% owned by the Company. The current activity is centred on desktop studies to give a very detailed understanding of the geology deep underneath the licence area, helping to assess where exploration sites can be subsequently located.

The result for the17 month period since the company was incorporated is a loss of $105,000. The Directors do not recommend the payment of a dividend.

Principal risks and uncertainties

From the perspective of the Company, principal risks and uncertainties are integrated with the principal risks of the Cuadrilla group and are not managed separately. Accordingly, the principal risks and uncertainties of Cuadrilla Resources Holdings Limited, which include those of the Company, are discussed in the directors' report of the group's financial statements which does not form part of this report.

Key Performance Indicators ("KPIs")

The directors of Cuadrilla Resources Holdings Limited manage the group's operations on a combined basis. For this reason, the company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of $105,000, which the directors believe to be appropriate for the following reasons.

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources Limited, the Company's parent. Cuadrilla Resources Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available.

The Directors have reviewed the forecast cash requirements of the group for the 12 months following the date of signing these accounts and, after making appropriate enquiries, they have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment.

Based on the above reasons, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

By order of the board

Francis Egan
Director

30 April 2018

Directors' report

The directors of Cuadrilla Gainsborough Limited (the "Company") present their strategic report, directors' report and financial statements for the 17 month period ended 31 December 2017.

Principal activities

The principal activity of the Company is the exploration and appraisal of onshore oil and gas projects in the United Kingdom.

Incorporation

The Company was incorporated on 5 August 2016 and 100 ordinary shares were issued at nominal value of $1 each.

Directors

The directors who held office in the period to the date of this report were as follows:

Francis Egan	(appointed 5 August 2016)
Andrew Quarles van Ufford	(appointed 5 August 2016, resigned 5 May 2017)
Mark Lappin	(appointed 8 May 2017)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

During the period, KPMG LLP were appointed auditors of the Company.

By order of the board

Francis Egan
Director

Cuadrilla House
Unit 6 Sceptre Court
Sceptre Way
Bamber Bridge
Preston
PR5 6AW

30 April 2018

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Cuadrilla Gainsborough Limited

Opinion

We have audited the financial statements of Cuadrilla Gainsborough Limited ("the company") for the period ended 31 December 2017 which comprise the income statement, balance sheet, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as 31 December 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Cuadrilla Gainsborough Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Tracey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
1 May 2018

Income statement and comprehensive income
for the 17 month period ended 31 December 2017

	Note	*Period ended 31 December 2017*
		$000
Operating expenses		*(83)*
Administrative expenses		*(22)*
Operating loss	*1,4*	*(105)*
Taxation	*5*	-
Loss for the period		*(105)*

The results above relate to continuing operations.

The Company has no other income or expenses recognised in the period, other than those shown in the 'Income Statement and Comprehensive Income' above.

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

Balance sheet
at 31 December 2017

	Note	2017 $000
Current liabilities		
Trade and other payables	6	(105)
Total liabilities		(105)
Net liabilities		(105)
Equity attributable to equity holders of the parent		
Share capital	7	-
Retained losses	7	(105)
Total equity		(105)

These financial statements were approved by the board of directors on 30 April 2018 and were signed on its behalf by:

Francis Egan
Director

Company registered number: 10315755

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Cuadrilla Gainsborough Limited (the "Company") is a company incorporated in and domiciled in the United Kingdom.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and applied in accordance with the provisions of the Companies Act 2006.

The Company's financial statements are presented in US dollars, which is the Company's functional and presentation currency.

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the strategic report on page 1.

Notwithstanding that at the period end the Company had net liabilities of $105,000 the statutory accounts have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons:

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources Limited, the Company's parent. Cuadrilla Resources Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available.

The Directors have reviewed the forecast cash requirements of the group for the 12 months following the date of signing these accounts and, after making appropriate enquiries, they have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment.

Based on the above reasons, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

The Company has not prepared a cash flow statement as it has not engaged in any cash transactions during the period. Expenses have been paid by the immediate parent company on behalf of the Company and settled through intercompany account.

Foreign currency

Transactions in foreign currencies are translated to the functional currencies of Company at the foreign exchange rate issued at by Her Majesty's Revenue & Customs at the beginning of the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other payables.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Exploration and evaluation expenses

The Company applies the successful efforts method of accounting for exploration and evaluation expenses having regard to IFRS 6, "Exploration for and Evaluation of Mineral Resources".

Pre-licence costs and costs incurred prior to a determination process are expensed directly to the income statement as incurred.

Subsequent exploration and evaluation costs directly associated with an identifiable exploration project area are capitalised as an intangible asset until the project has been evaluated. If hydrocarbons are found and, subject to further appraisal, the project is likely to be capable of commercial development, the costs continue to be carried as an asset.

The costs of unsuccessful projects are written off to the income statement: this is in accordance with the successful efforts accounting policy but is also compatible with IAS 36, "Impairment of Assets", on the basis that the asset is impaired.

Once appraisal is complete and commercial reserves are established then the relevant cost is transferred (following an impairment review as described below) from intangible exploration and evaluation assets to development and production assets within tangible assets. Expenditures incurred after the commerciality of the field has been established are capitalised within development and production assets.

Exploration and evaluation assets are amortised from the date they are available for use.

Impairment test

Exploration and evaluation expenditures which are held under IFRS 6 are reviewed at each reporting date for indicators of impairment. Such circumstances include, but are not limited to:

i. Expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

ii. Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

iii. Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Business and geographical segments

The Company has a single class of business which is oil and gas exploration in the UK. The Company acts in one geographical area.

3 Staff costs and directors remuneration

The Company had no employees during the period. No directors received any remuneration in respect of services to the Company.

4 Expenses and auditor's remuneration

Included in loss for the period are the following:

	Period ended 31 December 2017
	$000
Management fees	*15*

Management fees are charges from the immediate parent company – Cuadrilla Resources Limited for services provided to the Company. These management fees were agreed by both parties and are recorded at a value equivalent to the cost to Cuadrilla Resources Limited.

Audit fees are borne by the parent company and are recharged to the Company as part of the management fee.

Notes *(continued)*

5 Taxation

Recognised in the income statement

	2017
	$000
Current tax expense	-
Deferred tax expense	-
Total tax expense	-

Reconciliation of effective tax rate

	2017
	$000
Loss before tax for the period	(105)
Tax using the UK Ring-fence corporation tax rate of 40%	42
Current period losses for which no deferred tax asset was recognised	(42)
Total tax expense	-

The ring fence corporation tax rate applicable for the period of 40% comprises the main rate of corporation tax on ring fence profits of 30% and an additional supplementary charge of 10%. A new onshore allowance may also be available to reduce the supplementary charge and this will reduce the company's tax charge accordingly.

No provision for tax has been made as the Company has estimated accumulated pre-trading expenses of $105,000 which are available for offset against future taxable income. A deferred tax asset has not been recognised as it is uncertain when the Company will be able to utilise the pre-trading expenses.

Notes *(continued)*

6 Trade and other payables

	2017
	$000
Current	
Amounts due to immediate parent company	*104*
Accrued expenses	*1*
	105

Amounts due to the parent company relate to the settlement of liabilities on behalf of the Company. The amounts bear no interest and are repayable on demand. See Note 1 relating to the parent company's ongoing financial support.

Notes *(continued)*

7 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital $000	*Retained losses $000*	*Total Equity $000*
Balance at incorporation	-	-	-
Total recognised income and expense	-	*(105)*	*(105)*
Balance at 31 December 2017	-	*(105)*	*(105)*

Share capital – Ordinary shares

	2017 Number
On issue at incorporation	*100*
Issued during the period	-
On issue at 31 December – fully paid	*100*

	2017 $
Allotted, called up and fully paid	
Ordinary shares of $1 each	100
	100

The Company was incorporated on 5th August 2016, with an authorised share capital of 100 ordinary shares of US$1 each.

On the same day, the Company issued 100 ordinary shares of $1 each at par. Consideration for the issue of shares was through the intercompany account with the parent company, Cuadrilla Resources Limited.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

8 Financial instruments

8(a) Fair value of financial instruments

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Fair values

The fair values of financial assets and liabilities are considered to be the same as the carrying amounts.

8(b) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's most significant creditor is an intercompany balance with its parent company, which although it is documented as repayable on demand, the parent company has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available.

8(c) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Exposure to interest rate risks arise in the normal course of the Company's business. Exposure to foreign currency risk is not considered significant.

8(d) Capital management

The Company is dependent for its working capital on funds provided to it by Cuadrilla Resources Limited, the Company's parent. Management have reviewed the forecast cash requirements of the group for the following 12 months and have satisfied themselves that the group will be able to meet its external liabilities as they fall due for payment.

Notes *(continued)*

9 Contingencies

The Company is part of a group registration for VAT.

10 Related parties

Fellow group undertakings

For the period ended 31 December 2017, the following related party transactions took place with the immediate parent company, Cuadrilla Resources Limited:

	Management fees 2017 $000	*Payables outstanding 2017 $000*
Immediate parent company		
Cuadrilla Resources Limited	*15*	*104*

The terms of the intercompany current account and the management fee arrangements are both disclosed elsewhere in these financial statements.

11 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Cuadrilla Resources Limited, a company incorporated in the United Kingdom. The ultimate parent company of the group is Cuadrilla Resources Holdings Limited which is jointly controlled by its shareholders: Lucas Cuadrilla PTY Limited (47%), Riverstone/Carlyle Global Energy and Power Fund IV (Cayman) LP (45%) and the management team (8%).

The largest and smallest consolidated financial statements into which the results of the Company are consolidated are those of the ultimate parent company, Cuadrilla Resources Holdings Limited. Cuadrilla Resources Holdings Limited is a company incorporated in the United Kingdom and copies of the consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.